

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 58th LEGISLATURE - REGULAR SESSION

JOINT APPROPRIATIONS SUBCOMMITTEE ON EDUCATION

Call to Order: By **CHAIRMAN DONALD L. HEDGES**, on January 27, 2003
at 8:08 A.M., in Room 102 Capitol.

ROLL CALL

Members Present:

Rep. Donald L. Hedges, Chairman (R)
Sen. Royal Johnson, Vice Chairman (R)
Rep. Rosalie (Rosie) Buzzas (D)
Sen. John Esp (R)
Rep. Eve Franklin (D)
Rep. Dave Lewis (R)
Sen. Bea McCarthy (D)

Members Excused: None.

Members Absent: None.

Staff Present: Mark Bruno, OBPP
Pam Joehler, Legislative Branch
Diana Williams, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Tape counter notations refer to the material immediately preceding.

Committee Business Summary:

Hearing & Date Posted: Meeting with Board of Regents, and
Montana University System Overview

Executive Action: None

MEETING WITH BOARD OF REGENTS

CHAIRMAN HEDGES said that this will be an informal meeting with the Board of Regents to exchange philosophies and get aimed in the same direction in terms of what has to be done to keep the University System whole and at the same time save money for the State of Montana.

The Board of Regents of Higher Education for the State of Montana who attended the meeting today were:

John Mercer, Kalispell
Mark Semmens, Great Falls
Christian Hur, Missoula
Lynn Morrison-Hamilton, Havre

Ed Jasmin, Bigfork
Richard Roehm, Bozeman
Margie Thompson, Butte

Dr. Crofts and Dr. Krause were in attendance, as was Regent to be Lila Taylor.

The discussion was started by **CHAIRMAN HEDGES**. He said that the Board of Regents being a constitutional body sets between this Subcommittee and the University System so the Subcommittee's wishes sometimes aren't followed through. **CHAIRMAN HEDGES** said, "Is there a way we can bridge that gap. How can we reduce the cost of education and continue to have a quality education system in the State of Montana."

Regent Roehm said that the bridge building has started with the Subcommittee on Education that SEN. JOHNSON chaired and with the accountability report that was generated. Six goals were derived.

Regent Semmens said that if Montana is to be economically successful it is critical that there becomes a shared sense of ownership for Montana's University System. He agreed that the accountability report is a good first step and explained why he thought that. He said that with the Accountability Committee and with this meeting, these are early points in the process and hopes that the entities can come together going forward.

{Tape: 1; Side: A; Approx. Time Counter: 0 -9.3}

The discussion then focused on additional funding avenues and how the University System can help stimulate economic success.

Regent Lynn Morrison-Hamilton said that schools have contributed to the Montana's economy and have put this state as number six in the nation in terms of grant and federal dollars, federal resources that come in to Montana to support those economies

through their research and technology transfer programs. She thought that was important to remember, too.

The benefits of grants or funded research activities received by the school and graduates (researcher) were discussed. **CHAIRMAN HEDGES** wondered if a grant from NASA could be acquired so Montana's engineering students could get a free instructional ride working on these projects.

Regent Semmens said that bridge building could occur in terms of stimulating economic success by connecting research, which is the very successful base that the college has, to the private sector. Commit some resources to focus on taking the basic research and making sure that wherever possible that research is commercialized into the private sector.

Regent Ed Jasmin said that the research grants are part of the real world. The solutions are found through teamwork and problem solving. The student benefits from the research as does the college.

Regent Roehm explained a gulf shore state that has used EPSCoR funding to improve the per capita income for their citizens. The federal match dollars were used which spawned research which spawned businesses which helped all of them out. He felt that if Montana's state matching fund capability could be encouraged, the state would have greater success.

{Tape: 1; Side: A; Approx. Time Counter: 9.4 -20.6}

The EPSCoR program was discussed at length.

{Tape: 1; Side: A; Approx. Time Counter: 20.7 to 27.4}

REP. LEWIS asked some questions that dealt with finding additional revenue sources for funding education. In **Regent Roehm's** response he said that the Regents would like to have reliable, predictable, and sustained sources of funding so long range planning could occur.

Regent Roehm said that there is a very strong need for a conversation between the Regents and the Legislature on what level of state support does the state wish to provide to the University System. Once the level is figured out, he said that the regents would task the chancellors and presidents to efficiently manage the system.

SEN. MCCARTHY said that there has been discussion through the years that no matter what was funded, the Regents would raise

tuition and make up for what is needed. She asked Regent Mercer to elaborate on this discussion.

{Tape: 1; Side: A; Approx. Time Counter: 27.5 to 30.0}

{Tape: 1; Side: B; Approx. Time Counter: 0 - 5.6}

Regent Mercer's response to who should build the bridges was the management control of the University System ought to be exercised by the Regents rather than the paid administrators. So the obligation rests on the Board of Regents to be the people that come forward with the legislature, with business, and with K-12, to go to work on building this bridge that is being talked about.

Regent Mercer said that he would like to see government, business, education and Board of Regents through higher education get together and start to work on a model that would determine what drives Montana's gross state product. Then he would like to see all the parties aim as to how the gross state product could be improved. With a meeting like this, the focus would be on ways that the Regents/Legislators could grow Montana's economy. He sees state legislators look at higher education as a costly service that is provided; when in fact, it is a huge economic engine for Montana.

Regent Mercer offered an analogy that applies to the State of Montana. It was a drug store that needed to find \$10,000. One manager cut advertising, employees and inventory and the other was an innovative manager who added staff. The innovative manager generated \$12,500.

Regent Mercer thinks that this is where the government budget process, which he was a sideline player, has really not had the opportunity to think about ; i.e., how government spending both in human services and more specifically in higher education could make money for Montana and Montanans many, many ways. This whole process doesn't allow the players to look at it in that way . And he felt that it is not the responsibility of the part-time legislators to straighten this out. He said, "I think it's the responsibility of higher education to take the lead on working with government to build economic plans and determine what works."

Regent Mercer also commented about the timber and the revenue generated from it. He discussed research grants and is concerned that if all parties don't get on this idea of working together and figure out what the state wants to accomplish with higher education, higher education is going to self fund itself more and more all the time. **Regent Mercer** said that the research dollars

and other things that have sex appeal will drive where higher education goes.

One other comment that **Regent Mercer** made dealt with the low paying jobs that are in Montana. He said an idea is to capture a great deal of military-type contracts because of our low cost work force.

Regent Mercer said that the parties involved need to find common goals and objectives and just start working for those things. He said, "Because if the system keeps going the way it's going, it's going to drastically and dramatically change in a way that I think Montana won't like. And if the State of Montana, if it keeps going down the path it is going, it also in a serious death spiral. Those are my two cents and sorry it took so much time."

{Tape: 1; Side: B; Approx. Time Counter: 5.7 - 23.6}

There was discussion on who is the entity that really has the authority of being the "bridge" builder. Finding alternatives for funding besides raising tuition was also addressed.

Regent Mercer said that last September the Board of Regents approved a measure where that with future tuition increase proposals, management will have to present the alternative proposal of not raising tuition. They will have to specifically show the Regents where those cuts will come from. So this will be in effect for this session and hopefully management will be able to find ways to cut costs without raising the tuition like it has been done in the past.

The WICHE/WWAMI program was discussed as well as asking a question that wondered if Montana had contracts with out-of-state colleges for programs like pharmacy, law and architect.

{Tape: 1; Side: B; Approx. Time Counter: 23.7 - 30.0}

{Tape: 2; Side: A; Approx. Time Counter: 0 - 21.1}

The trend of privatization that is occurring in higher education was discussed.

SEN. JOHNSON asked President Dennison, "What can we do better to keep it a public university besides adding a whole chunk of money which I realize is one of the problems."

President Dennison, University of Missoula, said that a colleague of his calls "privatization," "self-sufficiency," because the latter term keeps the emphasis on the public mission of public higher education.

President Dennison said that how education is funded is going to have to be looked at. Maybe variations of that model (property tax, state funding, etc) could be found. He also suggested that the parties involved ought to try to find ways in which the institution is allowed to be more efficient. He said, "We have a list of things that we could do a lot more efficiently if we weren't required to do it this way or that way. And we need to work our way through those things."

President Dennison said that fundamentally the state does have to commit to a level of funding. Then the parties involved could figure out other mechanisms by which education can be funded to the level that is needed to provide the kind of education that will make the difference in the economy of the State.

{Tape: 2; Side: A; Approx. Time Counter: 21.2 - 25.2}

Regent Roehm said that another concern and challenge of the Regents is the departures of graduates out of state. He used the nursing and teaching field as examples. The reason for the student leaving is that it is the interrelationship between tuition and the cost of going to school for the student and then the debt that is incurred and then the economy nationally. If the student debt is large, the student can get a higher wage by going to a larger community.

SEN. JOHNSON said that the business the University System is in is educating students. His concern is how can all of these issues get addressed. He brought up that the Legislator probably should know the Constitution -- duties of the Regents, the duties of the BOPE, the duties of board of education in the State of Montana. Then what is required is that conversation occurs between these entities. He said, "It seems that's the way we are going to get some of these things resolved."

{Tape: 2; Side: A; Approx. Time Counter: 25.3 - 30.0}

REP. BUZZAS said that the bottom line is that people will fund what they consider to have value. The people today aren't seeing the benefits to society as a whole of higher education, rather they are seeing it more of an individual benefitting from the education, so to these types of people, the belief that the student should pay for the education is there. She thought that the attitude about public education of higher ed and K-12 has changed in the last several years. She said, "I think part of it is a disconnect that was talked about."

REP. BUZZAS said that to bridge the gap, the whole issue of quality, access and having the University System stay competitive is needed. To her the big issue is access.

REP. BUZZAS explained a program in which the University System interacts with the K-12 community. She said that through programs like this one, the bridge building starts at the community level. The student and parents can begin to realize that a college education is within the grasp of the family and the student.

REP. BUZZAS said, "We have to keep a strong system, we have to keep it affordable to even our lowest income students so that they know that is an option to them. To me, I agree with Regent Mercer that we have to build bridges at the state level. We have to build it among our leaders but I think as importantly we have to build it in our communities so that people are saying to their legislators wait a minute, you have to keep it affordable to our children."

Regent Mercer said that the State's economy needs to grow in order to run these State institutions. To him the University System is lacking the leadership that would focus on making Montana have more jobs.

Regent Mercer said that the ultimate gift that the student could have is the ability to stay in the state. This will happen if the wages are adequate for the student to make a living on. He said, "Until all of us start to focus on growing on Montana's state economy it isn't going to matter how wonderful we think higher education is because it will never be able to be funded by the citizens of this state because they don't have an adequate income to do it."

{Tape: 2; Side: B; Approx. Time Counter: 0 - 7.6}

CHAIRMAN HEDGES summarized what he heard today. He said that the 6-mill levy isn't working in terms of constant funding. Something a little bit different needs to be done to keep the institutions strong and viable. And Montana's economy needs to grow. He suggested having some of the University funding be transferred to the economic development office so grants could be used to find solutions to some of Montana's problems. Through the help of students from various departments solutions might occur.

REP. FRANKLIN was of the opinion that the money shouldn't be funneled through the economic development office. She presented her viewpoint on what the University System has been doing.

Regent Mercer said that what has been talked about is to provide class levels of leadership within the University System and in particular the Board of Regents to get together and try to get Montana to focus on a common goal.

{Tape: 2; Side: B; Approx. Time Counter: 7.7 - 11.5}

OVERVIEW OF THE MONTANA UNIVERSITY SYSTEM

Richard Roehm, Regent, Bozeman, read his testimony and presented a copy to this Subcommittee.

EXHIBIT (jeh17a01)

Rod Sundsted, Associate Commissioner for Fiscal and Administrative Affairs, presented a composite of information pertaining to each of the schools in the Montana University System which includes relevant statistics and major achievements. He also presented a document entitled, Montana University System Overview.

EXHIBIT (jeh17a02)

EXHIBIT (jeh17a03)

{Tape: 2; Side: B; Approx. Time Counter: 11.6 - 22.3}

Laurie Neils, Director of Budget and Accounting for the Commissioner of Higher Education, began her presentation by explaining the Funds and Subfunds used to support higher education in Montana. These descriptions are listed on Pages 1 and 2 of Exhibit 3. Page 3 contains a summary of the University System expenditures for FY 2003. Of the \$841 million budget, the current unrestricted funds total \$298 million, of which \$128 million is General Funds.

{Tape: 2; Side: B; Approx. Time Counter: 28.2 - 30.2}

{Tape: 3; Side: A; Approx. Time Counter: 0.3 - 10.4}

Mr. Sundsted explained Pages 7 - 22 of Exhibit 3. All figures represent data collected since 1980, with the exception of non-resident students prior to 1992.

{Tape: 3; Side: A; Approx. Time Counter: 10.5 - 27.7}

SEN. ESP referred to Page 9 of Exhibit 3 and asked if "100%" represents \$298 million. **Mr. Sundsted** said that the total is

slightly less than that. **Ms. Neils** stated that for fiscal year 2003, the budget is \$263.6 million.

SEN. JOHNSON referred to the pie chart on Page 12 of Exhibit 3, and requested pie charts for 1992-2001. He then asked if the figures on Page 14 include bond payments for buildings. **Mr. Sundsted** said that they do not; the figures are current unrestricted appropriations for the Montana University System. The bond payments for state-funded programs come out of the Department of Administration and are a statutory appropriation. He also said that state support for students does not include bond payments.

SEN. JOHNSON asked about the increase in nonresident tuition in 1993 and what it did to enrollment. **Mr. Sundsted** said that it did not affect the nonresident enrollment for several years but is now leveling off.

SEN. ESP asked how Montana's 45% share compares with other states' share regarding support of unrestricted funds. **Mr. Sundsted** said that he would get that information and report back to the Subcommittee, but noted that tuition is not only affected by rates but also whether the students are residents or non-residents. He also stated that the University System does not currently track costs by discipline.

SEN. JOHNSON expressed concern about the Cohort Default Rate in Montana of 6.24%. **Arlene Hannawalt, Director, MGSLP**, stated that until about five years ago, Montana had one of the lowest student loan default rates in the Nation. Unfortunately Montana is near the top now, but the rate is dropping.

SEN. JOHNSON asked how long before a loan is written off. **Ms. Hannawalt** stated that the collection process continues as long as possible. The loan is not considered in default until the borrower has missed nine-months' payments and then it takes another three months to process proper paperwork.

{Tape: 3; Side: A; Approx. Time Counter: 27.8 - 30.2}

{Tape: 3; Side: B; Approx. Time Counter: 2.4 - 22}

REP. LEWIS asked Mr. Sundsted about the Global Justice Action Summit and whether there were people employed by the University involved with the Summit. **Mr. Sundsted** said that he would get information back to REP. LEWIS.

SEN. JOHNSON asked Mr. Sundsted if he is aware of House Bill 23. **Mr. Sundsted** stated that he is aware of the bill.

Steve Snezek, Chief Advisor to Lt. Governor and Higher Education Policy Advisor for Governor Martz, stated that he stands by the Governor's original proposal in the Executive Budget for the University System. He thanked the Regents and the Legislature for participating in the Post-secondary Higher Education Policy and Budget Subcommittee. **Mr. Snezek** is available for questions.

{Tape: 3; Side: B; Approx. Time Counter: 22.1 - 23.4}

Paul Polson, Director, Bureau of Business and Economic Research, University of Montana, Missoula, stated that "economic impact" means different things to different people. He explained the information included in Exhibit 4.

Mr. Polson stated that a presentation will be given this evening on the Montana Economic Outlook starting at 5:30 p.m. in the Old Supreme Court Chamber. All aspects of Montana's economy will be discussed, along with what the outlook is for the next couple of years, what the trends are in the important basic industries, and other very important topics.

EXHIBIT(jeh17a04)

{Tape: 3; Side: B; Approx. Time Counter: 23.5 - 30.1}

{Tape: 4; Side: A; Approx. Time Counter: 0.3 - 7.9}

Angela Janacaro, Executive Director, Montana Mining Association (MMA), expressed concern as to the actions of the Environmental Studies Program of the University of Montana. She read her testimony and presented a copy for the record.

EXHIBIT(jeh17a05)

REP. BUZZAS asked if Ms. Janacaro could give an estimate of how much money was raised in opposition to I-122, I-125 and I-137 by the mining interests in the State of Montana. **Ms. Janacaro** stated that \$2.2 million was raised for I-122. Contributions by mining companies were banned on I-137, and mining companies contributed very little to I-125 because they were busy fighting I-122.

REP. FRANKLIN asked if Ms. Janacaro's assumption is that the University System should not fund something that contrasts the world's view or the philosophical or economic interests of the MMA. **Ms. Janacaro** stated that it is her belief and her organization's belief that the actions of this particular university-funded program has contributed to the decline of the mining industry.

CHAIRMAN HEDGES asked if the signature-gathering that Ms. Janacaro alluded to is part of a political action class, and was the assignment to learn the political process or to gather signatures that were then turned into the clerk at the Missoula County court house. **Ms. Janacaro** read part of the class syllabus from the Environmental Organizing Semester, which required gathering signatures for I-122 and I-125.

REP. FRANKLIN asked if Ms. Janacaro knows what the students paid for the class. **CHAIRMAN HEDGES** asked if there were credits granted upon the completion of the project. **Ms. Janacaro** stated that she did not know the cost of the class, but the students received credits for the 400-500-level course.

REP. BUZZAS stated that the syllabus sounds like the class is teaching people a public process which she hopes our University System does.

Ms. Janacaro presented a copy of Who Brought Initiative 125 to Montana?

EXHIBIT (jeh17a06)

{Tape: 4; Side: A; Approx. Time Counter: 8.1 - 22}

Ellen Engstedt, Montana Wood Products Association, stated that her Association has had their share of contact with graduates from the University's Environmental Studies Program. She read her testimony and presented a copy for the record.

EXHIBIT (jeh17a07)

REP. FRANKLIN asked if Ms. Engstedt feels that the Environmental Studies Program should be "defunded" because the wood products industry doesn't like some of the message or discussion that are going on. **Ms. Engstedt** said, "Perhaps 'defunding' is not the way to go but at least these activities need to be scrutinized by the legislature so they know what the ramification of the activities in that particular studies program are doing to the economic base of this state."

REP. FRANKLIN stated that she feels Ms. Engstedt is giving a tremendous amount of power to a classroom of students.

{Tape: 4; Side: A; Approx. Time Counter: 22.1 - 25.4}

George Dennison, President, University of Montana, stated that the School of Forestry was not under discussion this morning,

however they do spend a great deal of time trying to develop management plans and work with the timber products industry.

There are specific courses that are taught on the campus that have to do with political action and deal with developing the skills of citizens. The University continually has involvement of the faculty members not only in environmental studies but also in forestry and biological sciences looking at the legislation as it relates to the development of Environmental Impact Statements (EIS), etc.

The University does spend a good deal of it's time assisting with economic development as well. It is important that student's get all sides of the issue.

{Tape: 4; Side: A; Approx. Time Counter: 25.7 - 27}

Cary Hegreberg, Montana Contractors Association, stated that economic development is an important part of what the University System does in Montana. The University System is involved in setting a climate for Montana in the educational and political systems.

Mr. Hegreberg said that contractors have a concern because there is a lot of projects in Montana that could have been built, that weren't; people who could have been employed, who may not have been employed. This comes back to that political climate that exists in the State of Montana.

Mr. Hegreberg said that Graduates of the University's Environmental Studies Program and staff have been quite involved in the political system in Montana as it relates to projects - mining, timber, oil and gas - all of which will have an impact on contractors because these potential projects would require a lot of construction to get online. The contractor's stake in this is the opportunity cost that exists by not moving forward with various projects resulting in jobs that were not created and taxes that are not being paid.

Mr. Hegreberg presented research prepared by Eric Williams, and stated that this research draws into question more than just the philosophy of what is being taught at the University System; it draws into question how funds are being used, under what auspices and by whom, and how the University System's been involved in it. He stated that the Contractors Association was not involved in the research.

EXHIBIT (jeh17a08)

{Tape: 4; Side: A; Approx. Time Counter: 27.1 - 30.1}

SEN. McCARTHY asked President Dennison what source of University funds would hire two bus drivers to drive a group of students from Missoula to a protest in another country. **President Dennison** said that he would get that information for her.

Don Allen, Western Environmental Trade Association, stated that he also questions the appropriateness of the expenditure of these funds. He asked the Subcommittee if the University budget is separate from the grants received. **Mr. Allen** encouraged the Subcommittee to ask questions and make sure that the courses that are offered are balanced.

Sarah Cobler, Associated Students of the University of Montana (ASUM), stated that the Constitution of the State of Montana set up the Board of Regents to deal with the creation of curriculum and policy within the University System. Throughout the years, the Board has evaluated which types of classes are valuable to academics and academic programming within the Montana University System. The students appreciate that forum.

Ms. Cobler stated that the issue before this Subcommittee is academic freedom. There are currently no members of the environmental community present to complain to the Subcommittee about management practices pertaining to extractive industries. She stated that her main point is that many differing views are expressed within the University System, and that variety of views is crucial to the development of an intellectual well rounded person.

Ms. Cobler commented that for the industry to stand before this Subcommittee and argue that because they do not believe in a particular way of thought and therefore the University System should not fund that program is interesting when the forum is available to go before the Board of Regents, or go to the program itself.

Ms. Cobler said that if the members of the Subcommittee have questions about the Environmental Studies program she would be happy to help them make contact with people within that program. She encouraged this Subcommittee to understand what's happening at the University.

REP. BUZZAS stated that Sarah's comment is correct in that this Subcommittee needs to keep this issue in perspective. The Board of Regents was created for issues such as what has been heard today. She reminded everyone that it is this Subcommittee's job

to fund the University System and to let the Board of Regents decide on issues such as was heard today.

SEN. ESP stated that each member of the Subcommittee may interpret testimony in different ways, and, in order to move forward in a thoughtful fashion, this Subcommittee needs to consider what everyone has said and consider all testimony before passing judgement.

{Tape: 4; Side: B; Approx. Time Counter: 2.4 - 12.6}

President Dennison stated that he recognizes several of the documents in Exhibit 8. He also recalled that the legal counsel for the University provided all of the information that was in the files. He responded to **SEN. MCCARTHY'S** question as to whether bus drivers took students out of the country. He stated that the event took place in Missoula. It provided an opportunity for people to say what they wanted to about global justice. It was a request from student groups and funded by private donation money.

{Tape: 4; Side: B; Approx. Time Counter: 12.8 - 14}

ADJOURNMENT

Adjournment: 11:45 A.M.

REP. DONALD L. HEDGES, Chairman

DIANA WILLIAMS, Secretary

DH/DW

EXHIBIT (jeh17aad)